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Message Text

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PAGE 01 TOKYO 02511 150819Z
ACTION OES-07

INFO OCT-01 EUR-12 EA-10 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
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E.O. 11652: N/A
TAGS: ENRG, TECH, CA, JA
SUBJECT: POSSIBLE SALE OF CANDU REACTORS TO JAPAN

REF: TOKYO 2459

1. NOW THAT JAPAN-CANADA PROTOCOL EXTENDING NUCLEAR COOPERATION AGREEMENT HAS BEEN INITIALED, TEMPO IS INCREASING IN NEGOTIATIONS BETWEEN JAPAN'S ELECTRIC POWER DEVELOPMENT CO. (EPDC) AND ATOMIC ENERGY OF CANADA LTD. (AECL) ON SALE OF TWO 600 MWE REACTORS TO JAPAN. NEGOTIATIONS HAD BEEN STALLED BECAUSE OF CANADIAN URANIUM EMBARGO AND LACK OF DEFINITION OF TECHNOLOGY TRANSFER TERMS OF BILATERAL AGREEMENT. WE HAVE HEARD THAT EPDC ENGINEERS ARE IN CANADA TO STUDY CANDU TECHNOLOGY IN PREPARATION FOR DESIGN CHANGES THAT WILL BE REQUIRED TO INSURE THAT REACTORS CAN MEET MORE GIROROUS SEISMIC CONDITIONS THAT PREVAIL IN JAPAN.

2. INDUSTRY SOURCES SAY THAT THE REACTORS WILL BE LOCATED NEAR OMA, AOMORI PREFECTURE, IN NORTHERN HONSHU. COMMERCIAL OPERATION
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PAGE 02 TOKYO 02511 150819Z

IS SCHEDULED FOR 1985-1987.

3. FYI: WE ARE WATCHING THIS DEVELOPMENT WITH CONSIDERABLE INTEREST FOR SEVERAL REASONS. FIRST, WE ARE NOT AT ALL CERTAIN THAT EPDC HAS OBTAINED A CLEAR GOVERNMENTAL CONSENSUS TO PROCEED WITH PROCUREMENT OF CANDU SYSTEM, SINCE IT ACTS AS A MAJOR COMPETITOR TO GOJ-DEVELOPED ADVANCED THERMAL REACTOR (ATR), A

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HEAVY-WATER-MODERATED, LIGHT-WATER-COOLED REACTOR. FIRST ATR PROTOTYPE, FUGEN, 165 MWE, IS SCHEDULED TO GO CRITICAL NEXT MONTH AT TSURUGA; IT HAS BEEN DEVELOPED BY PNC. PLANS FOR CONSTRUCTION OF FOLLOW-ON 600 MWE DEMONSTRATION ATR ARE ALREADY UNDER WAY. IT HAS BEEN NO SECRET THAT EPDC AND PNC HAVE BEEN AT ODDS WITH EACH OTHER OVER WHICH SYSTEM SHOULD BE SELECTED, WITH FORMER ARGUING FOR ACQUISITION OF PROVEN TECHNOLOGY AND LATTER SUPPORTING USE OF COMPLETELY INDIGENOUS DESIGN. SECOND, CANDU MAY HAVE BEEN OF CONSIDERABLE INTEREST INITIALLY BECAUSE OF ITS ABILITY TO USE NATURAL URANIUM FUEL, THEREBY DECREASING RELIANCE ON U.S. AS ENRICHMENT SERVICE SUPPLIER AND MAKING JAPAN SUBJECT TO U.S. EXPORT CONTROLS APPLIED TO ENRICHED FUEL; HOWEVER, NEW JAPAN-CANADA PROTOCOL PLACES EVEN MORE STRINGENT CONTROLS ON JAPAN THAN CURRENT U.S. BILATERAL, PARTICULARLY IN REGARD TO REPROCESS-ING AND TECHNOLOGY TRANSFER TO THIRD COUNTRIES. THIRD, THERE HAS BEEN SPECULATION THAT PART OF PRICE JAPAN PAID TO HAVE CANADIAN URANIUM SUPPLY EMBARGO LIFTED WAS PURCHASE OF CANDU; SENIOR CANADIAN EMBASSY OFFICIAL HAS DENIED THIS EMPHATICALLY TO EMBOFF. FOURTH, ATR MAY HAVE DROPPED SOMEWHAT IN FAVOR DUE TO ITS DEPEN-DENCE ON RECYCLE PLUTONIUM FOR FUEL, TAKING INTO ACCOUNT UNCER-TAINTY ABOUT PROSPECTS FOR OPERATING TOKAI MURA AND SUBSEQUENT JAPANESE REPROCESSING PLANTS. OUR LAST REASON FOR WATCHING THIS MATTER CLOSELY IS THAT IF CANDU SALE MATERIALIZES, IT WILL CUT HEAVILY INTO PROSPECTS FOR SELLING ADDITIONAL LWR COMPONENTS TO JAPAN AS VISUALIZED BY THOSE ENGAGED IN TRYING TO REDRESS U.S.-JAPAN TRADE IMBALANCE. TAKEN TOGETHER, ALL OF THESE FACTORS
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PAGE 03 TOKYO 02511 150819Z

INDICATE COMPLEXITY OF SITUATION AND PAINS THAT GOJ MUST BE EXPERIENCING IN TRYING TO REACH CLEAR-CUT DECISION ON HOW TO PROCEED WITH NUCLEAR POWER PLANNING, DEVELOPMENT, AND CONSTRUC-TION.
MANSFIELD

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